

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2241 - HB 2342

May 8, 2020

SUMMARY OF BILL: Authorizes a licensed broker in this state to enter into a cooperative agreement with a licensed broker in another state that does not hold a broker or affiliate broker license in this state for the sale of real estate, if the state in which the nonresident broker is licensed also authorizes cooperative agreements with this state.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$600/FY20-21 and Subsequent Years
/Tennessee Real Estate Commission

Other Fiscal Impact - Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The TREC experienced a surplus of \$660,372 in FY17-18, a surplus of \$561,680 in FY18-19, and had a cumulative reserve balance of \$6,004,997 on June 30, 2019.

Assumptions:

- Pursuant to Tenn. Code Ann. § 62-13-302(a), a licensed broker in this state is authorized to pay a commission to a licensed broker of another state if the nonresident broker does not conduct any negotiations in this state for which a commission is paid.
- Brokers or affiliate brokers that are licensed in another state, but are not residents of Tennessee, are authorized to hold a broker or affiliate broker license in Tennessee after proving satisfactory prerequisite requirements and passing the Tennessee section of the affiliate or broker examination.
- Currently, a broker or affiliate broker that is not licensed in Tennessee is not authorized to conduct real estate business in the state.
- The proposed legislation authorizes a licensed broker in Tennessee to enter into a cooperative agreement for the sale of real estate property with a licensed broker in another state that does not hold a Tennessee license if the nonresident broker's license state or origin also authorizes similar cooperative agreements.
- According to the Tennessee Real Estate Commission (TREC), the prior two-year average of nonresident brokers licensed in Tennessee is approximately 70.
- It is unknown how many states authorize similar cooperative agreements; however, it is estimated that the proposed legislation will cause a decrease in nonresident broker applications in Tennessee by 10 percent.

- An annual decrease in nonresident broker license applications of 7 (70 x 10.0%).
- Nonresidents complete the same application and pay the same fees as Tennessee residents.
- Examination fees are paid to the testing vendor and do not increase revenue to the TREC.
- Issuance of an original license is \$91.
- A recurring decrease in revenue to the TREC, beginning in FY20-21, of \$637 (7 x \$91).
- It is not estimated that nonresident affiliate broker applications will significantly decrease.
- Pursuant to Tenn. Code Ann. § 4-29-121, all regulatory boards are required to be self-sufficient over any two-year period. The TREC experienced a surplus of \$660,372 in FY17-18, a surplus of \$561,680 in FY18-19, and had a cumulative reserve balance of \$6,004,997 on June 30, 2019.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- There will be a decrease on nonresident broker applications in Tennessee.
- Since the decrease in business expenditures will be realized by nonresidents, the impact to business expenditures in the state is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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